

**MAGNA RESOURCES LTD.**  
An Exploration Stage Enterprise

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JANUARY 31, 2011**  
(Unaudited - Prepared by Management)

These financial statements have not been reviewed by the Company's auditors.

**CONSOLIDATED BALANCE SHEETS**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED EXPLORATION  
EXPENDITURES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**Notice of No Auditor Review of Interim Financial Statements**

The accompanying unaudited interim consolidated financial statements of Magna Resources Ltd. (the "Company") have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards of the Canadian Institute of Chartered Accountants for a review of interim financial statements.

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**MAGNA RESOURCES LTD.**

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**CONSOLIDATED INTERIM BALANCE SHEETS**  
(Unaudited – Prepared by Management)

	<b>As at January 31 2011</b>	<b>As at July 31 2010</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 10,430	\$ 58,311
GST receivable	4,102	1,176
Other assets (Note 3)	<u>65,265</u>	<u>49,433</u>
	<b>79,797</b>	<b>108,920</b>
<b>Mineral Properties</b> (Note 3)	<u>162,514</u>	<u>137,100</u>
	<b>\$ 242,311</b>	<b>\$ 246,020</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ <u>64,162</u>	\$ <u>56,501</u>
<b>Shareholders' Equity</b>		
Share capital (Note 4b))	1,220,052	1,220,052
Contributed surplus (Note 4b) and 4d))	225,103	225,103
Deficit	<u>(1,267,006)</u>	<u>(1,255,636)</u>
	<b>178,149</b>	<b>189,519</b>
	<b>\$ 242,311</b>	<b>\$ 246,020</b>

**Nature of Operations** (Note 1)**Commitments** (Notes 3 and 8)**Subsequent Events** (Note 9)**On behalf of the Board:**

"Rudy de Jonge"

"Darryl Yea"

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Rudy de Jonge Director\_\_\_\_\_  
Darryl Yea Director

The accompanying notes are an integral part of these financial statements.

**MAGNA RESOURCES LTD.**

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**CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND DEFICIT**  
(Unaudited – Prepared by Management)

	<b>Three Months Ended January 31 2011</b>	<b>Six Months Ended January 31 2011</b>	Three Months Ended January 31 2010	Six Months Ended January 31 2010
<b>INCOME:</b>				
Gain on marketable securities (Note 3)	\$ 20,288	\$ 20,288	\$ -	\$ -
<b>EXPENSES:</b>				
Accounting and audit fees	4,286	17,169	(1,477)	11,477
Legal fees	2,181	3,727	10,778	21,899
Office and general	492	825	499	545
Transfer agent and filing fees	5,025	6,452	6,345	7,998
Foreign exchange (gains)	6,133	1,378	(2,955)	(669)
Interest expense (recovered)	10	10	(741)	29
<b>INCOME (LOSS) BEFORE OTHER INCOME &amp; OTHER EXPENSES</b>				
	2,161	(9,273)	(12,449)	(41,279)
Other Expenses				
Loss on sale of asset	(2,097)	(2,097)	-	-
<b>NET INCOME (LOSS) AND (COMPREHENSIVE LOSS) FOR THE PERIOD</b>				
	64	(11,370)	(12,499)	(41,279)
<b>DEFICIT, BEGINNING OF THE PERIOD</b>				
	(1,267,070)	(1,255,636)	(1,227,976)	(1,199,146)
<b>DEFICIT, END OF PERIOD</b>				
	\$ (1,267,006)	\$ (1,267,006)	\$ (1,240,425)	\$ (1,240,425)
<b>Basic and diluted loss per share</b>				
	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>Weighted average number of common shares – basic and diluted</b>				
	10,010,000	10,010,000	10,010,000	10,010,000

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**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)

	<b>Three Months Ended January 31 2011</b>	<b>Six Months Ended January 31 2011</b>	Three Months Ended January 31 2010	Six Months Ended January 31 2010
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>				
Net income (loss) for the period	\$ 64	\$ (11,370)	\$ (12,449)	\$ (41,279)
Changes in non-cash operating working capital:				
(Increase) decrease in accounts receivables	(2,359)	(2,926)	(67,138)	(1,769)
(Increase) decrease in other assets	(15,832)	(15,832)	539	41,528
(Increase) decrease in deposits	-	-	68,568	-
Increase (decrease) in accounts payable and accrued liabilities	4,728	7,661	(41,908)	(2,686)
<b>Net cash flows used in operating activities</b>	<b>(13,399)</b>	<b>(22,467)</b>	81,888	(4,206)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>				
Mineral properties acquisition	(16,036)	(25,414)	(94,438)	(155,273)
<b>Net cash flows used in investing activities</b>	<b>(16,036)</b>	<b>(25,414)</b>	(94,438)	(155,273)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Deferred charges	-	-	-	-
Proceeds of share issuances	-	-	-	-
Share Issuance costs	-	-	-	208
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	-	208
Net change in cash and cash equivalents for the period	(29,435)	(47,881)	(12,550)	(159,271)
Cash and cash equivalents, beginning of period	39,865	58,311	112,356	259,077
<b>Cash and cash equivalents, end of period</b>	<b>\$ 10,430</b>	<b>\$ 10,430</b>	\$ 99,806	\$ 99,806

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**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

(Unaudited – Prepared by Management)

	<b>Three Months Ended January 31 2011</b>	<b>Six Months Ended January 31 2011</b>	Three Months Ended January 31 2010	Six Months Ended January 31 2010
<b>American Potash Joint Venture</b>				
<b>Acquisition Expenditures</b>				
Balance, beginning of period	\$ 146,478	\$ 137,100	\$ 60,835	\$ -
Acquisitions during the period (Note 3)	<u>16,036</u>	<u>25,414</u>	<u>94,438</u>	<u>155,273</u>
<b>Balance, end of period</b>	<b>\$ 162,514</b>	<b>\$ 162,514</b>	<b>\$ 155,273</b>	<b>\$ 155,273</b>
<b>Deferred Exploration Expenditures</b>				
Balance, beginning of period	\$ -	\$ -	\$ -	\$ -
Geological studies	-	-	-	-
Assaying	-	-	-	-
Professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance, end of period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Balance, end of period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES</b>	<b>\$ 162,514</b>	<b>\$ 162,514</b>	<b>\$ 155,273</b>	<b>\$ 155,273</b>

The accompanying notes are an integral part of these financial statements.

**MAGNA RESOURCES LTD.**  
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
JANUARY 31, 2011  
(UNAUDITED – PREPARED BY MANAGEMENT)

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**1. NATURE OF OPERATIONS**

Magna Resources Ltd. (the “Company”) was incorporated on June 5, 2006 under the laws of British Columbia. The Company’s principal business activity is the acquisition and exploration of mineral properties.

The amounts shown as mineral properties and deferred exploration expenditures represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place these properties into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company’s ability to obtain the required additional financing necessary to develop its mineral properties.

The Company has a working capital as at January 31, 2011 of \$15,635 (July 31, 2010 – \$52,419) and an accumulated deficit of \$1,267,006 (2010 - \$1,255,636). The Company has incurred a net loss of \$11,370 for the six months ended January 31, 2011 (January 31, 2010 - \$41,279). These financial statements have been prepared under the assumptions of a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company’s ability to continue as a going concern may be in doubt and is dependent upon obtaining additional financing to meet its operating obligations and repaying its liabilities.

Failure to arrange adequate financing on acceptable terms would have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going-concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

**2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

These interim consolidated financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended July 31, 2010. In management’s opinion, all adjustments necessary for fair presentation have been included in these interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year. Certain comparative figures have been reclassified to conform to the current period’s presentation.

**Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and 50% interest in American Potash LLC (“American Potash”) joint venture, a Nevada limited liability corporation. The joint venture has been accounted for in the Company’s consolidated financial statements using the proportionate consolidation method, whereby the Company records on a line-by-line basis its proportionate share of the assets, liabilities, revenues and expenses of the investees. All intercompany balances and transactions are eliminated on consolidation.

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**3. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

**US Potash Prospects**

American Potash, owned 50% by each of the Company and Confederation Minerals Ltd. (“Confederation”), has entered into an option agreement with Sweetwater River Resources LLC (“Sweetwater”), John Glasscock and Kent Ausburn (the “Sweetwater Option Agreement”) (collectively called the “Optionors”), to acquire pending applications to the United States Bureau of Land Management (“BLM”) for Utah property and the State of Arizona for exploration permits, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah and Arizona. On November 2, 2010 the Sweetwater Option Agreement was amended to exclude the Arizona permits and properties. Under the Sweetwater Option Agreement, American Potash possesses exclusive priority application rights for 31 potash exploration permits covering approximately 63,000 acres (255 sq. km.) of land in the Paradox Basin, Utah. 24,040 acres (97 sq. km.) of the total 63,000 acres are within a proposed Known Potash Lease Area (“KPLA”), which may become available only under a separate competitive bidding process. KPLA boundaries are currently under review and until such time that they are defined, the size of the final area of interest remains uncertain. During the course of application, the Company incurred geological works of \$137,100 that were required by the United States Bureau of Land Management (“BLM”) for preparation of exploration plans for the Utah properties. The claims in Utah are pending for approval from the BLM.

The Sweetwater Option Agreement entitles American Potash to acquire a 100% interest in permits, subject to a 2% royalty to the Optionors which may be bought back for \$2,000,000 USD. The option may be exercised by having Confederation and the Company each to pay a total of \$135,000 USD and each to issue in aggregate, 1,000,000 shares to the Optionors upon receiving grant of permits for Utah property of not less than 25,000 acres (the “Grant Date”). The Company’s payment and share issuance obligations under the agreement are as follow:

- \$35,000 USD upon signing the option agreement (paid);
- 100,000 common shares of the Company on the Grant Date;
- \$25,000 USD cash and 300,000 common shares of the Company on or before the first anniversary of the Grant Date;
- \$25,000 USD cash and 300,000 common shares of the Company on or before the second anniversary of the Grant Date;
- \$25,000 USD cash and 300,000 common shares of the Company on or before the third anniversary of the Grant Date; and
- \$25,000 USD cash on or before the fourth anniversary of the Grant Date.

The option period is the earlier of the fourth anniversary of the Grant Date or December 31, 2018.

The Company will pay a finder's fee in connection with this acquisition. The fee will be US \$3,500 and 10,000 common shares of the Company, payable on the Grant Date, and thereafter 10% of the cash and stock payments made under the option agreement, payable as and when such payments are made.

On November 12, 2010, Sweetwater granted an option to Passport Potash Inc. (“Passport”) (PPI: TSX.V) to acquire 100% of Sweetwater’s rights and interest in the Arizona properties, subject to a 2% royalty and subject to TSX Venture Exchange approval (the “Acceptance Date”). Consideration is payable to Sweetwater and American Potash as follows:

- i) 500,000 free trading shares of Passport (the “Passport Shares”) on the earlier of December 15, 2010 or within five business days of the Acceptance Date (issued); and
- ii) Three cash payments of \$30,000 each within 12, 18 and 24 months of the Acceptance Date.



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**3. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)**

Passport has the right at any time to buy one-half of the royalty for \$150,000 USD and has the right to purchase the remaining one-half of the royalty for \$150,000 USD. The allocation of the payments and the issuance of Passport shares to Sweetwater and American Potash will be 29.1% to Sweetwater and 70.9 % to American Potash, based on their respective percentage of total expenses incurred on the Arizona permits.

On December 21, 2010, American Potash received 353,450 Passport Shares which represent 70.9% of the 500,000 Passport Shares issued under the agreement. The Company's portion is 176,725 Passport Shares. Passport's closing share price on January 31, 2011 was \$0.38 per share. Passport Share value fluctuates and the Passport Shares have a four month hold period and are not tradeable until April 17, 2011.

In addition, American Potash has nine non-contiguous Utah State trust land potash lease units in the potash-bearing Paradox Basin in Grand County, Utah. Each lease unit consists of one State section and covers a contiguous area of approximately one square mile. The nine lease units total approximately 9.5 square miles or 6,090 acres. The nine State potash lease units are all within the border of a large block of contiguous BLM potash prospecting permit applications held exclusively by American Potash, separated into contiguous north and south blocks by a proposed BLM Known Potash Lease Area. American Potash has submitted documentation requesting drill permits and is awaiting the granting thereof.

During the three months ended January 31, 2011 the Company incurred \$16,036 in Utah property acquisition expenditures consisting primarily of permit renewals.

**4. SHARE CAPITAL**

a) **Authorized:** Unlimited common shares with no par value

b) **Issued and Outstanding**

	Number of Shares	Amount
Balance, July 31, 2008	8,010,000	\$ 1,001,250
Shares issued for cash @ \$0.16 per share	2,000,000	320,000
Share issuance costs	-	(101,405)
Balance July 31, 2009	10,010,000	\$ 1,219,845
Adjustment to share issuance costs	-	207
Balance July 31, 2010 and January 31, 2011	10,010,000	\$ 1,220,052

During the year ended July 31, 2009, the Company completed its initial public offering (the "IPO") raising gross proceeds of \$320,000. A total of 2,000,000 common shares of the Company were issued at a price of \$0.16 per share. As part of the IPO, the Company incurred share issuances costs of \$101,198.

c) **Escrow Shares**

As at January 31, 2011 the Company had 2,178,000 (July 31, 2010 – 3,267,000) common shares held in escrow by the Company's transfer agent. 10% of the common shares in escrow were released on October 16, 2008, the date the Company's securities were listed on a Canadian exchange, 15% are released every six months thereafter.

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**d) Stock Options**

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

On June 8, 2009, the Company granted 1,000,000 stock options to officers and directors of the Company whereby the option holders can purchase common shares at \$0.25 per share. The options vested immediately and will expire on June 8, 2014. On February 7, 2010, 142,500 options were cancelled due to the resignation of a director of the Company.

The fair value of these stock options was \$0.21 per share where the exercise price is the same as the market price at the date of grant and the fair value of each option granted is calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 2.71%, a dividend yield of nil, an expected volatility of 120% and an average expected life of 5 years. Each option entitles the holder to acquire one common share of the Company.

In fiscal 2009 a stock based compensation expense of \$207,944 was charged to operations and added to contributed surplus.

	Number of Options	Weighted Average Exercise Price
Outstanding as at July 31, 2008	-	\$ -
Grant – Stock options	1,000,000	0.25
Grant – Agent options	200,000	0.16
Outstanding and exercisable as at July 31, 2009	1,200,000	0.24
Expired stock options – February 7, 2010	(142,500)	(0.25)
Expired agent options – October 16, 2010	(200,000)	(0.16)
Outstanding and exercisable as at July 31 and January 31, 2011	857,500	\$ 0.25

Exercise price	Number of options	Expiry Date
\$ 0.25	857,500	June 8, 2014

**5. RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities is \$25,000 due to an officer and director of the Company.

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**6. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of any identified business opportunities and to maintain a flexible capital structure for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents, accounts payable and accrued liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, acquire or dispose of assets or adjust the amount of cash.

The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth. The Company is not subject to externally imposed capital requirements.

**7. GEOGRAPHIC INFORMATION**

The Company's activities are all in one industry segment of mineral property acquisition and exploration. The Company's mining operations are centralized whereby management of the Company is responsible for business results and the everyday decision-making. The Company's operations therefore are segmented on a geographic basis. All of the Company's resource properties are located in the United States. The Company's assets are located in the following geographic locations:

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	January 31 2011	July 31 2010
Total assets:		
Canada	\$ 14,362	\$ 58,170
United States	227,949	187,850
	\$ 242,311	\$ 246,020

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**8. COMMITMENTS**

- a. See Note 3.
- b. On April 1, 2010, American Potash entered into a consulting agreement with an independent party to provide advice and to consult to American Potash regarding exploration, leasing and mining on public Lands. Compensation is \$3,000 USD for 20 hours of service per month for a period of one year. Additional hours to complete services will be billed at \$200 USD per hour.

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**9. SUBSEQUENT EVENTS**

a. On February 25, 2011 the Company closed a private placement raising an aggregate of \$192,000 by the issuance of 1,200,000 units ("Units") at a price of \$0.16 per Unit. Each Unit consists of one common share ("Share") and one share purchase warrant ("Warrant"). Each Warrant is exercisable into one additional common share for a period of five years at a price of \$0.20 per share ("Warrant Share"), expiring February 25, 2016. The Shares, Warrants and Warrant Shares are subject to a four month hold period expiring on June 26, 2011. The proceeds of the private placement will be used to advance the permitting and exploration of American

Potash's Utah State potash lease units, furthering American Potash's additional prospecting permit applications in Utah and for general working capital purposes.

b. On March 16, 2011, American Potash received US\$20,760.65 as its share of the first instalment from Passport under the Passport option agreement. The Company's portion of this payment is US\$10,380.33.